

Pulling Back from the Tipping Point

Improperly installed satellite dishes lower property values; private cable operators can help

By Bryan Rader ■ *MediaWorks*

When you walk an apartment community property with one of your real-estate clients, do you ever keep track of what they point out to you? It's the same thing that every property manager is complaining about too.

That's right – it's the increase in badly installed satellite dishes. You see them on some properties stuck in the middle of the yard. Sometimes you see dishes attached to the rooftop. You may even see a cluster of them popping out of an island full of flowers.

Every property owner hates it, and every prospective resident sees it: some multi-family properties are becoming billboards for Dish Network and DirecTV. Why is this?

After 2001, many MDU markets experienced a drying up of “demand” thanks to low interest rates that favored ownership. There were fewer renter households, even as supply grew. With market equilibrium out of whack, property owners saw occupancy levels drop to levels not seen since the early 1990s.

We saw numerous properties in our key markets drop from 95 percent physical occupancy to the low 80s. And at those levels, property owners didn't care if their prospective residents brought a dish or a rocket ship onto the property. They just needed warm bodies to occupy their apartments and pay rent.

You Can Regulate Dishes

Owners forgot that the FCC granted them the authority to take down dishes that “were not installed within the leased premises without permanent attachment to the physical structure.” But back then, satellite

dishes were the least of their concerns.

But this is not 2001. The multi-family marketplace has improved significantly. Some of the public REITs in our industry are now reporting big jumps in rent levels and operating income. Occupancy levels are back into the mid 90s, and owners are much more cautious about the “satellite dish” rules and illegal installations. Nevertheless, we're still seeing illegal dishes on properties of all types, from upscale to affordable housing. And they're still out in the yard, in the trees, and on the rooftop.

You might ask, don't today's property owners care? Well, many of them do. Many owners make it a priority for their on-site property managers to take them down, or force residents to install dishes correctly and obtain insurance, pay a deposit, and sign an addendum to their lease. Other owners still look the other way.

And when they look the other way, you begin to see a property jump from a 5 percent dish penetration to 25 percent in a matter of six to twelve months.

Beware the Tipping Point

A recent potential investor explained it to me as being like “The Tipping Point.” Once you let one customer get away with it, another one will pop up, and then another. All of a sudden there are three on the side of one building. And there are wires hanging on the ground and splitters fluttering off the gutter.

In his bestseller, “The Tipping Point,” Malcolm Gladwell defines the point as a “moment when an idea, trend or social behavior causes a threshold, tips and spreads like wildfire.” He uses one exam-

ple, the “broken windows” theory, which says that crime is contagious – that it can start with a broken window and spread to an entire community. The Tipping Point may be something physical like graffiti. The behavior is affected by the environment. Graffiti on the walls, broken windows in the buildings, dark and dirty streets, and all of a sudden an unsafe neighborhood has developed.

It's the same thing with satellite dishes. We hit the tipping point when the owner or the on-site staff doesn't keep all of the dish installations “legal.” Even with a strong market.

So what can owners do? Well, if a private cable operator is serving your property, you can engage the PCO's management to help you solve this problem. We have worked with numerous property owners to push back on dish proliferation very successfully. We simply identified all of the unit addresses with an illegal install, and sent a letter along with the owner that said, “your dish must come down, but your local cable company will give you a special deal to convert to its service.” Free installation. Free digital boxes. Free premiums. In one instance, we took over 100 dishes down with the help of an aggressive owner.

No more broken windows. No more graffiti. And no more illegal installs. Our numbers go up and the owner has a much more attractive asset.

What a win for everybody. Now that's a great “tipping point.” **BBP**

About the Author

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